

DATE ISSUED: October 9, 2000

REPORT NO. 00-208

ATTENTION: Land Use and Housing Committee  
Agenda of October 11, 2000

SUBJECT: Year Round Homeless Family Shelter

REFERENCE: Manager's Report

### SUMMARY

#### Issues -

1. Should the City Council direct the City Manager to proceed with the necessary actions to purchase the Days Inn in time for this winter season, if possible?
2. Should the City Council direct the City Manager to apply for a HUD Section 108 and take the necessary actions for a bridge loan or lease option, if necessary, to fund the purchase of a permanent shelter for homeless families to be repaid with shelter program annual allocations?
3. Should the City Council accept the attached funding plan and direct the City Manager to return by first quarter 2001 with the necessary resources to extend shelter operations to the end of the year?
4. Should the City Council direct the City Manager to proceed with negotiating a six month to one year lease with Sprung Structures, Inc. as an interim measure for a year round family shelter, if necessary?

#### Manager's Recommendation(s) -

1. Direct the City Manager to proceed with the necessary actions to purchase the Days Inn in time for this winter season, if possible.
2. Direct the City Manager to apply for a HUD Section 108 and take the necessary actions for a bridge loan or lease option, if necessary to fund the purchase of a permanent shelter for homeless families to be repaid with shelter program annual allocations.
3. Accept the attached funding plan and direct the City Manager to return by the first quarter 2001 with the necessary resources to extend the shelter to the end of the year.
4. Direct the City Manager to proceed with negotiating a six month to one year lease with Sprung Structures, Inc. as an interim measure for a year round family shelter, if

necessary.

Other Recommendation(s) - None

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Fiscal Impact - There is currently \$345,313 available to fund the shelter program through the end of Fiscal Year 2000. There is also a one time \$90,000 Fiscal Year 1999 CDBG allocation that could be made available. Additional funds (i.e. County, State and private) are being pursued with final outcomes expected by March 2001. Funding for the permanent site will be provided by a HUD Section 108 loan. Attached are details of the facility acquisition plan, proposed operations budget and the sprung structure lease option. The annual homeless services program allocations fully fund the acquisition or lease option and six months of operations costs recommended by the Manager.

## BACKGROUND

During the July 19, 2000 Land Use and Housing Committee meeting, the City Manager was directed to pursue the lease/purchase option with Sprung Structures, Inc. as an interim measure for a year round shelter for homeless families, review and analyze the San Diego Rescue Mission proposal and pursue permanent site options and additional funding sources. This report responds to that direction.

## DISCUSSION

Listed below is a brief discussion of the financial considerations of the purchase and lease option for a sprung structure, the acquisition of the Bay View Center located at 446 26<sup>th</sup> Street, the acquisition of the homeless facility located at 939 South 16<sup>th</sup> Street presently owned by the San Diego Rescue Mission, Saint Vincent de Paul's request for assistance with implementing their Imperial Project proposal and the acquisition of the Days Inn located at 1449 9<sup>th</sup> Avenue, a new site recently identified by the City's Real Estate Assets Department (READ). Two additional properties have been identified for consideration as possible sites for the permanent year round family shelter which are the E Hotel and the West Park Inn. Both require further review and analysis.

### **1. Sprung Structure**

Description: The proposed sprung structure is 60' x 180' and requires 14,000 sq. ft. lot. This size structure will provide 39 rooms and two 10' x 10' offices. A City owned vacant lot, located in the downtown area, has been identified as the recommended site for erecting the sprung structure on a temporary basis.

The anticipated cost for the structure is approximately \$626,900. A five year lease/purchase option would require quarterly payments of approximately \$36,500 payable in twenty quarters and a one time payment of sales tax which is applied to the taxable portion of the purchase price. The sales tax which would not exceed \$48,500 would be payable when the lease purchase is

executed. The total cost to fund and operate the sprung structure through June 30, 2001 is \$454,900 which includes estimated utility charges, property lease and miscellaneous permitting and architectural fees. The total amount of funding available is \$345,313 leaving a \$109,587 shortfall.

An alternative, more cost effective option would be to enter into a six month to one year lease agreement with Sprung Structure, Inc. for a basic unit as an interim measure. The structure would be erected in the downtown area until a permanent site is finalized. The anticipated cost for this option is approximately \$6,636 per month. If leased through June 30, 2001, the total cost for this option would be \$355,852 which includes operations. The total amount of funding available is \$345,313 leaving a \$10,539 shortfall. This amount could be reallocated from the \$90,000 one time allocation Fiscal Year 1999 CDBG District funds.

## **2. Bay View Center**

Description: Bay View Center is located at 446 26<sup>th</sup> Street on three acres of land. The building size is 120,000 sq. ft. with 66 vacant rooms. It is across the street from Grant Hill Park and within two blocks of public transportation (bus and trolley). There are a number of social service programs currently operating in the building (e.g. Women Infant Children, Bay View Nutritional, Neighborhood House Association kitchen, etc.). There is also police storefront. It also has the capability of providing additional family shelter beds if the City chose to expand the program.

Financing Discussion: It is currently understood that the listed sales price for Bay View Center has increased from \$7.2 million to \$13.7 million. City Manager's Report 00-145 outlines a potential financing structure for the purchase of this property at the original price of \$7.2 million. It involves the issuance of tax-exempt non-profit conduit revenue bonds by the California Statewide Community Development Authority (CSCDA). It also includes a recommendation to identify a 501(c)(3) non-profit corporation to serve as the entity that would purchase and operate Bay View Center. The non-profit corporation would serve as the "borrower" under this financing structure which would preserve the City's bonding capacity for financing future City projects and help ensure the City maintains its excellent credit rating

As outlined in City Manager's Report 00-145, the identified revenue streams are not sufficient to execute a financing that would fully fund a \$7.2 million purchase price for Bay View Center. Since that last report was issued, the identified recurring annual revenue streams have increased from \$232,000 to \$345,313. Based on the \$345,313 in annual revenue streams and the new listed sales price of \$13.7 million, the amount of funding shortfall for this option now totals \$8.1 million. To cover this shortfall, additional recurring revenue sources, or a significant additional equity contribution, would need to be identified.

## **3. San Diego Rescue Mission Proposal**

Description: Representatives from the San Diego Rescue Mission (SDRM) presented a plan (the "SDRM Original Proposal") to the Land Use and Housing Committee at the July 19, 2000 meeting that would enable them to relocate both of their existing shelter programs to Bay View Center. The SDRM has proposed the City purchase the facility at 939 South 16<sup>th</sup> Street (this

facility is currently utilized as a Women's/Children's shelter and offices) for \$4.6 million to \$5.4 million. The City would use this facility as the permanent location for the year round family shelter. SDRM would then use these sales proceeds, and the proceeds from the sale of two other facilities it owns (San Diego Rescue Mission Men's Center and Thrift Store) to purchase Bay View Center and to relocate their current programs to that property. As part of this proposal, the SDRM requested assistance from the Centre City Development Corporation (CCDC) in the form of a \$10 million to \$12 million five year interest free loan, with the total principal amount payable at the end of the five year loan term. However, representatives from the SDRM have indicated that it may not be absolutely necessary for CCDC to provide the loan assistance for them to proceed with their plan. CCDC has had discussions with SDRM and supports the plan in concept, however, they are unable to provide the \$10 to \$12 million loan. Throughout those meetings, it was expressed by CCDC that SDRM should continue to explore the potential for obtaining conventional financing or an equity partner to cover the approximately \$5-7 million gap that would exist after the application of the proceeds from the City's purchase of the Women's Center site. The SDRM also indicated a willingness to operate the City's year round family shelter.

A variation of this proposal was discussed (the "SDRM Alternate Proposal"), in which the City would lease-purchase the facilities at 939 South 16<sup>th</sup> Street rather than purchase the facilities outright. This proposal would require a down payment of approximately \$2.7 million, and an annual payment of \$232,000 to be paid over a 30-year term.

The SDRM has also indicated to the City that it estimates the costs to rehabilitate the facility for use as a homeless shelter would be approximately \$200,000; this reflects the costs to convert the facility from 33-34 units to 42 units. City staff believes that it would also be necessary to construct an elevator in order to meet ADA requirements. The SDRM estimates that this improvement would cost \$120,000, which would increase the total estimated rehabilitation costs to \$320,000. An independent assessment would need to be conducted by READ regarding rehabilitation requirements and estimated costs to provide for such improvements for the facility.

Financing Discussion: The identified funding sources are not sufficient to fully fund the SDRM Original Proposal nor are they sufficient to fully fund the SDRM Alternate Proposal. The one-time revenue source (\$90,000) and the allocation of annual recurring revenue sources that would be available in the year of purchase (\$345,313) could provide \$435,313 for the purchase of the facility (the SDRM Original Proposal). The difference between the purchase price of the facility (\$4.6 million to \$5.4 million) and the identified funding sources is \$4.2 million to \$5.0 million (this does not include the shortfall in revenues to fund the facility rehabilitation costs, which are estimated to total \$320,000).

The funding gap for the SDRM Alternate Proposal is \$2.6 million. This assumes that the City would apply the one-time revenue source (\$90,000) to fund the down payment (\$2.7 million) on the facility, and that the City would utilize a portion of the \$345,313 annual allocation to make the \$232,000 in annual lease payments. The \$2.6 million shortfall for the SDRM Alternate Proposal also does not reflect the shortfall in revenues to fund the facility rehabilitation costs.

In order to preserve the City's bonding capacity for financing future City projects and to ensure

the City will be able to maintain its excellent credit rating, it is not recommended that the City pursue a long term debt financing to purchase the facility. Notwithstanding this recommendation, the identified revenue streams are not sufficient to cover the debt service payments on a bond issuance size that would be sufficient to fund the \$4.6 million to \$5.4 million purchase price set forth by the SDRM under the SDRM Original Proposal.

City staff has proposed a third option to the SDRM. Under this option, the SDRM would sell the 939 South 16<sup>th</sup> Street property to a third party (the SDRM has indicated to City staff that there is third-party interest in the property). The SDRM could then utilize the proceeds from this sale, as well as the proceeds from the sale of its other two facilities, to execute its original plan to purchase Bay View Center. The SDRM could then make space available to the City for the year round family shelter at its new Bay View Center location, and the City could utilize the \$345,313 in annual homeless services program funds for rental payments on its use of such space, however, actual rental costs would need to be discussed with SDRM. The SDRM has indicated to City staff that there is sufficient space in the Bay View Center facility to house the year round family shelter in addition to its relocated programs. However, the SDRM has also indicated its preference that the City pursue the proposals it has presented, and has specifically voiced its concern that there would be community opposition to locating the year round family shelter at Bay View Center. An assessment of the rehabilitation costs associated with this proposal must also be performed. The identified one-time revenue source, which totals \$90,000, could be applied toward these costs.

#### **4. Imperial Project Proposal**

Description: The Imperial Project Proposal is located at 1501 Imperial Avenue. It would provide 180 family shelter beds in the existing Joan Kroc Center and has the potential of expanding to 480 shelter beds. It is within two blocks of public transportation (across the street from bus and two blocks from trolley). It currently is used as a family transitional housing shelter (310 beds) including: 135 short-term transitional beds for families, 110 long-term transitional beds for families and 65 beds in two single women's programs, all of which would be relocated to a new facility.

Financing Discussion: The proposed Imperial Project costs are approximately \$20 million and requires CCDC to acquire certain properties through condemnation and convey them to St. Vincent de Paul. The acquisition and conveyance of the four parcels of land are currently held under three different ownerships and would require the use of eminent domain. The related costs of tenant relocation, demolition and potential environmental remediation would need to be added to the total acquisitions costs which would require approximately \$5 million. During the June 7, 2000 LU&H meeting, St. Vincent de Paul staff requested a \$7 million contribution from the City which raises the total contribution by the City to \$12 million. While CCDC staff indicated that they would review any proposals by St. Vincent de Paul, it was indicated that these actions are not included in their funding plans. As such, financing options have not been analyzed.

#### **5. Days Inn**

Description: Located at 1449 9<sup>th</sup> Avenue, the property has 47 fully furnished units, office space, laundry room, two rooms utilized by the owner as living space and approximately 17,500 square feet of land. Real Estate Assets, Fire and Economic Development Community Services Department staff attended a walk through of the property and have determined that the site is acceptable. The list price is \$3.5 million. Some rehabilitation would be required which is expected to cost a maximum of \$500,000. It is located one block outside the appropriate zone to operate as a health and human care facility and would require City Council action to operate.

Financing Discussion: The potential financing structure outlined for the Bay View Center option could also be utilized for the Days Inn option. However, the identified revenue streams do not fully support a bond issuance size that would be sufficient to fund the purchase price of this facility. The estimated funding shortfall for this option is \$1.1 million. An alternative funding plan for the purchase of this facility is to utilize the \$90,000 one-time allocation from Fiscal Year 1999 CDBG District funds as an equity contribution for the purchase of the facility. In addition, the City Council could allocate \$345,313 annually from the homeless shelter entitlement and other (General, CDBG, San Diego Housing Commission, Centre City Development Corporation) funds to finance a HUD Section 108 loan of \$3,500,000. These funds could finance this acquisition which would require annual payments of approximately \$325,000. It currently takes approximately eight to nine months to process a HUD Section 108 loan. A bridge loan or lease option could be used as an interim measure while processing the loan. In addition, the Housing Commission has agreed to contribute \$500,000 toward the project. Staff anticipates additional funds from state Emergency Housing Assistance Program grant funds, Centre City Development Corporation and private donations which is detailed in the attached Facility Acquisition Plan.

## **5. E Hotel**

Located at 1312 12<sup>th</sup> Avenue, the E Hotel has 70 suites in the main building, as well as a second 6,000 sq. ft. building located on the same property. The owner reports that each of the suites have been wired for high speed DSL/computer use. The list price of the property is \$6.6 million. With City Council approval, staff will conduct an analysis of this property to determine its feasibility as an option for a permanent site. It is located one block outside the appropriate zone to operate as a health and human care facility and would require City Council action to operate.

## **6. West Park Inn**

Located at 1830-1840 4<sup>th</sup> Avenue, the property has 138 furnished units, with 1830 4<sup>th</sup> Avenue having 46 units and 1840 4<sup>th</sup> Avenue having 92 units. The sale price is listed at \$5.5 million. With City Council approval, staff will conduct an analysis of this property to determine its feasibility as an option for a permanent site.

**Community Opposition** City staff provided information on the City's progress toward siting a year round emergency family shelter to the Sherman Heights/Grant Hill Revitalization Committee at their August 9, 2000 meeting. The committee voiced nearly unanimous opposition to having any type of homeless or social services activities at the Bay View Center. Also, the Barrio Logan Redevelopment Project Area Committee (PAC) voted at their August 16, 2000 meeting to oppose locating the year round family shelter at the 939 South 16th Street (San Diego

Rescue Mission) site. The Days Inn site could potentially bring opposition from developers funding projects near this site.

In conclusion, staff recommends moving forward with the acquisition of the Days Inn as the permanent site. As the HUD Section 108 loan takes approximately 8-10 months to process, it is also recommended that a bridge loan or lease option be pursued as an interim measure. If this site can be acquired in time for the winter shelter season, or cannot be acquired for this use, it is recommended that the City enter into a one year lease agreement for a sprung structure as an interim measure. The attached budget plan describes federal, state, local and private funds for these options.

ALTERNATIVE(S)

None.

Respectfully submitted,  Hank Cunningham Director Economic Development & Community Services		Approved: George I. Loveland Assistant City Manager
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CUNNINGHAM/RHT/DFP

Attachment

**ATTACHMENT**

Facility Acquisition Plan  
Days Inn Motel

Facility Cost

List Price	3,500,000
Rehabilitation Cost (estimate)	<u>500,000</u>
<b>TOTAL</b>	<b>4,000,000</b>

Loan Information

HUD 108 Loan(maximum loan amount)*	3,500,000
Annual payments(beginning 2002)	325,000

\* a bridge loan or lease option may be pursued to fill the gap of processing time.

Funding

Annual shelter allocation*	<b>345,313</b>
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\*excludes emergency winter shelter program for single adults and veterans.

Additional Funding

One time CDBG allocation	90,000
Fiscal Year 2001 program reserves	27,998
Council District CDBG (FY01 reserves- requested) 120,000	
SDHC	<u>500,000</u>
<b>TOTAL</b>	<b>737,998</b>

Potential Funding Plan

CCDC (requested)	500,000
State EHAP funds (one time grant request)	500,000
Private donations (over two year period)	<u>2,000,000</u>
<b>TOTAL</b>	

**3,000,000**

NOTE: Any potential funding shortfall can be addressed through application during the CDBG/Social Service annual allocation process.

2000/2001 Year Round Family Shelter  
Operations Budget (Days Inn Site)  
December 15, 2000 - June 30, 2001

Annual Allocation

General Fund	\$
	20,184
CDBG	16,169
ESG	242,560
SDHC	445,000
CCDC	<u>25,000</u>
<b>TOTAL</b>	
<b>\$748,913</b>	

Expenditures

Winter Shelter Program	\$403,600
Service Contract (150 beds x 197 days x \$8.00)	\$236,400
Security (197 days x 24 hours x \$8.00 plus Benefits)	\$48,415
Utilities (electricity, gas and water)	\$24,000
Maintenance and Repair	\$6,000
Equipment (computer and Office Furniture)	<u>\$2,500</u>
<b>Total</b>	<b>\$720,915</b>

Reserves

\$27,998

Proposed Budget  
Temporary Lease Sprung Structure at 16<sup>th</sup> and Newton  
December 15, 2000 - June 30, 2001

Service Contract (150 beds x 197 days x \$8.00)	\$236,400
Lease (seven months)	\$46,452
Utilities (electricity, gas and water)	\$12,000
Maintenance and Repair	\$1,000
Equipment	\$2,000
<u>Sprung Structure</u>	
Set up	\$22,000
showers	\$20,000
Restrooms	\$8,000
Trash	<u>\$8,000</u>
	Total
	\$355, 852
<b>Total</b>	<b>\$325,815</b>